

Message Text

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PAGE 01 LAGOS 01144 280724Z
ACTION AF-10

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E.O. 11652: N/A
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SUBJECT: INDIGENIZATION UPDATE

1. EMBOFF DISCUSSED STATUS NIGERIAN INDIGENIZATION PROGRAM WITH NIGERIAN ENTERPRISE PROMOTION BOARD (NEPB) OFFICER SMRYANBOLA WHO SAID THAT MOST OF 1500 FIRMS EFFECTED BY DECREE HAVE RETURNED COMPLETED NEPB FORMS DETAILING THEIR BALANCE SHEETS AND OPERATIONS. NEPB IN TURN HAS NOTIFIED ABOUT 1000 FIRMS OF THEIR INDIGENIZATION SCHEDULE (I.E., SCHEDULE I - 100 PERCENT NIGERIAN; SCHEDULE II - 60 PERCENT; SCHEDULE III - 40 PERCENT). SCHEDULE NOTIFICATION PHASE SHOULD BE COMPLETED BY END OF FEBRUARY.

2. SHIYANBOLA ADMITTED THAT SEVERAL FIRMS HAVE PETITIONED NEPB END/OR LOBBIED FMG FOR MORE FAVORABLE SCHEDULING OR OUTRIGHT EXEMPTION TO INDIGENIZATION DECREE. HE STATED CATEGORICALLY THAT NO EXEMPTIONS WOULD BE GRANTED. HOWEVER, NEPB INTENDED TO BE FLEXIBLE IN APPLYING DECREE TO MULTI-SCHEDULE ENTERPRISES ESPECIALLY THOSE IN PHARMACEUTICALS AND AGRICULTURE, E. G., A FIRM HAVING PLANTATION AGRICULTURE
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PAGE 02 LAGOS 01144 280724Z

OPERATIONS (SCHEDULE II) AND ALSO MANUFACTURING AGRICULTURAL MACHINERY (SCHEDULE II) MIGHT BE PLACED IN SCHEDULE III. SHIYANBOLA SAID NEPB WAS TRYING TO BE FLEXIBLE BECAUSE THE DECREE WAS TOO 'RIGID AND UNREALISTIC'. IN AN ASIDE, HE EXPRESSED HOPE THAT THERE WOULD BE 'MORE FAVORABLE GUIDELINES AFTER 1979; I.E. AFTER CIVILIAN RULE RESUMED.

3. ASKED IF FIRMS WERE COOPERATING WITH THE DECREE, SHIYANBOLA SAID THAT SO FAR INDIGENIZATION WAS PROCEEDING SMOOTHLY, BUT HE ASCRIBED COMPLIANCE OF LONG-ESTABLISHED FOREIGN COMPANIES TO THEIR REALIZATION THAT DIVIDENDS CONTRIBUTE ONLY A SMALL PART OF PROFIT TO PARENT COMPANY. SHADY PRACTICES LIKE TRANSFER PRICING WERE MUCH MORE IMPORTANT TO TOTAL PROFITS. NONETHELESS, THE UNSKILLED NIGERIAN BUREAUCRACY WAS STILL UNABLE TO IMPLEMENT AN EFFECTIVE PRICE CONTROL PROGRAM ALTHOUGH SOME UNCOORDINATED STEPS HAVE BEEN TAKEN BY THE CENTRAL BANK AND OTHER GOVERNMENT AGENCIES.

4. COMMENT: SHIYANBOLA'S DISENCHANTMENT WITH THE 1977 INDIGENIZATION DECREE IS TYPICAL OF GOVERNMENT TECHNOCRATS WHO MUST IMPLEMENT DECREES WHICH SELDOM DO ANY GOOD AND USUALLY CAUSE MUCH HARM. FACT THAT DECREE WILL BE APPLIED MORE FLEXIBLY PROBABLY MEANS THAT FMG ALSO REALIZES THIS. TENDENCY FOR NEPB TO INTERPRET DECREE MORE LENIENTLY ALREADY APPARENT. THERE ARE UNCO FIRMED REPORT THAT ALL STERLING DRUG OPERATIONS WILL BE PUT UNDER SCHEDULE III. ALSO PFIZER'S MANAGING DIRECTOR IRON NOW BELIEVES THAT HIS LIVESTOCK FEED OPERATION WILL BE CLASSIFIED SCHEDULE III ALONG WITH PFIZER'S PHARMACEUTICAL LINE. NEPB HAS REJECTED SOME PETITIONS FOR RESCHEDULING, E.G. CADBURY, BUT IN GENERAL PICTURE IS IMPROVING. HOWEVER, ALTHOUGH NEPB/FMG MAY BE WILLING TO MAKE SCHEDULING CONCESSIONS, THERE IS LITTLE CHANCE FOR OUTRIGHT EXEMPTIONS TO DECREE.
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PAGE 03 LAGOS 01144 280724Z

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